



March 27, 2019

MEMORANDUM FOR THE SECRETARY OF THE TREASURY  
THE SECRETARY OF AGRICULTURE  
THE SECRETARY OF HOUSING AND URBAN DEVELOPMENT  
THE SECRETARY OF VETERANS AFFAIRS  
THE DIRECTOR OF THE OFFICE OF MANAGEMENT  
AND BUDGET  
THE DIRECTOR OF THE BUREAU OF CONSUMER FINANCIAL  
PROTECTION  
THE DIRECTOR OF THE FEDERAL HOUSING FINANCE  
AGENCY  
THE ASSISTANT TO THE PRESIDENT FOR ECONOMIC  
POLICY  
THE ASSISTANT TO THE PRESIDENT FOR DOMESTIC  
POLICY

SUBJECT: Federal Housing Finance Reform

The housing finance system of the United States is in urgent need of reform. During the financial crisis of 2008, the Federal National Mortgage Association (Fannie Mae) and the Federal Home Loan Mortgage Corporation (Freddie Mac) -- collectively known as the Government-sponsored enterprises (GSEs) -- suffered significant losses due to their structural flaws and lack of sufficient regulatory oversight. To prevent their failure, the GSEs received support from the Federal Government and were placed into conservatorship in September 2008. The Housing and Economic Recovery Act of 2008 enacted important reforms to the supervision, oversight, risk management, and governance of the GSEs. The GSEs remain in conservatorship, however, and the housing finance system continues to face significant and fundamental challenges. To date, the GSEs are the dominant participants in the housing finance system and lack real competitors. The lack of comprehensive housing finance reform since the financial crisis of 2008 has left taxpayers potentially exposed to future bailouts, and has left the Federal housing finance programs at the Department of Housing and Urban Development potentially overexposed to risk and with outdated

operations. Accordingly, it is time for the United States to reform its housing finance system to reduce taxpayer risks, expand the private sector's role, modernize government housing programs, and make sustainable home ownership for American families our benchmark of success. In order to resolve these ongoing challenges and by the authority vested in me as President by the Constitution and the laws of the United States of America, I hereby direct the following:

Section 1. Framework to Reform the GSEs. (a) The Secretary of the Treasury is hereby directed to develop a plan for administrative and legislative reforms (Treasury Housing Reform Plan) to achieve the following housing reform goals:

(i) Ending the conservatorships of the GSEs upon the completion of specified reforms;

(ii) Facilitating competition in the housing finance market;

(iii) Establishing regulation of the GSEs that safeguards their safety and soundness and minimizes the risks they pose to the financial stability of the United States; and

(iv) Providing that the Federal Government is properly compensated for any explicit or implicit support it provides to the GSEs or the secondary housing finance market.

(b) The Treasury Housing Reform Plan shall include reform proposals to achieve the following specific objectives:

(i) Preserving access for qualified homebuyers to 30-year fixed-rate mortgages and other mortgage options that best serve the financial needs of potential homebuyers;

(ii) Maintaining equal access to the Federal housing finance system for lenders of all sizes, charter types, and geographic locations, including the maintenance of a cash window for loan sales;

(iii) Establishing appropriate capital and liquidity requirements for the GSEs;

(iv) Increasing competition and participation of the private sector in the mortgage market, including by authorizing the Federal Housing Finance Agency (FHFA) to approve guarantors of conventional mortgage loans in the secondary market;

(v) Mitigating the risks undertaken by the GSEs, including by altering, if necessary, their respective policies on loan limits, program and product offerings, credit underwriting parameters, and the use of private capital to transfer credit risk;

(vi) Recommending appropriate size and risk profiles for the GSEs' retained mortgage and investment portfolios;

(vii) Defining the role of the GSEs in multifamily mortgage finance;

(viii) Defining the mission of the Federal Home Loan Bank system and its role in supporting Federal housing finance;

(ix) Evaluating, in consultation with the Secretary of Housing and Urban Development and the Director of the Bureau of Consumer Financial Protection, the "QM Patch," whereby the GSEs are exempt from certain requirements of the Qualified Mortgage (QM) determination;

(x) Defining the GSEs' role in promoting affordable housing without duplicating support provided by the Federal Housing Administration (FHA) or other Federal programs; and

(xi) Setting the conditions necessary for the termination of the conservatorships of the GSEs, which shall include the following conditions being satisfied:

(A) The Federal Government is fully compensated for the explicit and implicit guarantees provided by it to the GSEs or any successor entities in the form of an ongoing payment to the United States;

(B) The GSEs' activities are restricted to their core statutory mission and the size of investment and retained mortgage portfolios are appropriately limited; and

(C) The GSEs are subjected to heightened prudential requirements and safety and soundness standards, including increased capital requirements, designed to prevent a future taxpayer bailout and minimize risks to financial stability.

(c) For each reform included in the Treasury Housing Reform Plan, the Secretary of the Treasury must specify whether the proposed reform is a "legislative" reform that would require congressional action or an "administrative" reform that could be implemented without congressional action. For each "administrative" reform, the Treasury Housing Reform Plan shall include a timeline for implementation.

(d) In developing the Treasury Housing Reform Plan, the Secretary of the Treasury shall consult with the Secretary of Agriculture, the Secretary of Housing and Urban Development, the Secretary of Veterans Affairs, the Director of the Office of Management and Budget, the Director of the Bureau of Consumer Financial Protection, the Director of the FHFA, the Assistant to the President for Economic Policy, and the FHFA's Federal Housing Finance Oversight Board.

(e) The Treasury Housing Reform Plan shall be submitted to the President for approval, through the Assistant to the President for Economic Policy, as soon as practicable.

Sec. 2. Framework to Reform the Programs of the Department of Housing and Urban Development, the FHA, and the Government National Mortgage Association (GNMA). (a) The Secretary of Housing and Urban Development is hereby directed to develop a plan for administrative and legislative reforms (HUD Reform Plan) to achieve the following housing reform goals:

(i) Attempting to ensure that the FHA and GNMA assume primary responsibility for providing housing finance support to low- and moderate-income families that cannot be fulfilled through traditional underwriting;

(ii) Reducing taxpayer exposure through improved risk management and program and product design; and

(iii) Modernizing the operations and technology of the FHA and GNMA.

(b) The HUD Reform Plan shall include reform proposals to achieve the following specific objectives:

(i) Addressing the financial viability of the Home Equity Conversion Mortgage program;

(ii) Assessing the risks and benefits associated with providing assistance to first-time homebuyers, including down-payment assistance;

(iii) Defining the appropriate role of the FHA in multifamily mortgage finance;

(iv) Diversifying FHA lenders through increased participation by registered depository institutions;

(v) Enhancing GNMA program participation requirements and standards to ensure its safety and soundness and to protect borrower and investor interests; and

(vi) Reducing abusive and unsound loan origination or servicing practices for loans in the GNMA program, including, if appropriate, by providing for cooperation with other loan program sponsors and regulators.

(c) For each reform included in the HUD Reform Plan, the Secretary of Housing and Urban Development shall specify whether the proposed reform is a "legislative" reform that would require congressional action or an "administrative" reform that could be implemented without congressional action. For each "administrative" reform, the HUD Reform Plan shall include a timeline for implementation.

(d) In developing the HUD Reform Plan, the Secretary of Housing and Urban Development shall consult with the Secretary of the Treasury, the Secretary of Agriculture, the Secretary of Veterans Affairs, the Director of the Office of Management and Budget, the Director of the Bureau of Consumer Financial

Protection, the Assistant to the President for Economic Policy, and the Assistant to the President for Domestic Policy.

(e) The HUD Reform Plan shall be submitted to the President for approval, through the Assistant to the President for Economic Policy, as soon as practicable.

Sec. 3. General Provisions. (a) Nothing in this memorandum shall be construed to impair or otherwise affect:

(i) the authority granted by law to an executive department or agency, or the head thereof; or

(ii) the functions of the Director of the Office of Management and Budget relating to budgetary, administrative, or legislative proposals.

(b) This memorandum shall be implemented consistent with applicable law and subject to the availability of appropriations.

(c) This memorandum is not intended to, and does not, create any right or benefit, substantive or procedural, enforceable at law or in equity by any party against the United States, its departments, agencies, or entities, its officers, employees, or agents, or any other person.

(d) The Secretary of the Treasury is authorized and directed to publish this memorandum in the *Federal Register*.  
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